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DEPARTMENT OF TREASURY
LANSING

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STATE TREASURER

TO: Participating Schools and Lenders

FROM: Patricia W. Scott, Director *PWS*

DATE: March 12, 2004

SUBJECT: Educational Loan Notes

FEATURED FINANCIAL AID PROFESSIONAL

Sharron Hemme has been the Director of Financial Aid for North Central Michigan College since 1990. After graduating from Wayne State University, she taught grade school in Virginia where her husband was stationed in the Army. Then Sharron took some time off to start a family. After the family moved back to Michigan she discovered that there were more teachers looking for jobs than there were job openings. Since there weren't any offers coming in for teaching, she accepted a position at Monroe County Community College in the Career Resource Center and discovered that working at the post-secondary level was more intellectually stimulating than working with fourth graders. After several years she moved on to an advising position with the College of Lifelong Learning at Wayne State University. Her main responsibility was to assist students in Jackson State Penitentiary in completing their financial aid applications for the Basic Educational Opportunity Grant (BEOG), which was to later become the Pell Grant, and to make sure their aid was applied properly. (This was when incarcerated students were entitled to federal student aid.) She soon came to the realization that this was not the job for her. Sharron and her husband were ready for a lifestyle change, so they sold their house in Monroe, packed up their kids and belongings, and moved to Petoskey. After a few years a position opened at North Central Michigan College in the Records Office and she applied. In 1990 she was offered the position of Director of Financial Aid.



Sharron Hemme

The most rewarding part of Sharron's job is getting to know the students on a personal level. Of course she doesn't have the luxury of visiting with all students concerning financial aid. During the course of the semester, students will come in to chat about a work-study job or inquire about a student loan. It is during these visits that she discovers something special about them: their goals, ambitions, something about a class they found really exciting, or an experience they had while on a class trip. It is those one-on-one meetings with hard-working, diligent students that give her the most satisfaction when dealing with financial aid recipients.

Sharron believes that North Central Michigan College has the perfect campus configuration that works well for their students and the Student Services staff. All Student Services offices are located in one area of the campus in a newly renovated building that is inviting to students. The Student Services staff includes two full-time counselors, Resident Hall and Student Life Director, Registrar, Admissions and Enrollment Management Director, Dean of Students, Financial Aid Director, Financial Aid Advisor, four support staffers, and the Native American Student Mentor. They are a supportive group

(Continued on the next page.)

that works well together and are effective in serving students. North Central conducts an American College Testing (ACT) Student Satisfaction Survey biannually that is randomly distributed to first and second year students. Last year's survey revealed that, of 21 services offered by the college, financial aid services ranked #1 in importance to the students and ranked #4 in satisfaction. They are proud the survey gave financial aid services a **high** overall ranking.

Three years ago Sharron drastically changed the way loans were processed. Now they use one lender, one servicer, and one guaranty agency instead of the group of lenders and guarantors used in the past. The electronic processing has worked well, and students have accepted the change. Students can go online from North Central Michigan College's Web site and link to other sites to complete their loan application and entrance or exit counseling. After the Financial Aid Office certifies the loan request, the funds are then ready for disbursement. If someone had told Sharron ten years ago that their students would register, apply for financial aid, and complete loan applications on a computer, she would not have believed it! Now she can't imagine doing these tasks the old way!

The first workshop that Sharron attended as Financial Aid Director had the greatest influence on her. It was sponsored by the Michigan Guaranty Agency (MGA). She can remember thinking, "what a nice group of people they are." Sharron felt welcomed, and says she realized early on that this agency would be her guiding light for loan processing. She has never been disappointed, indicating that there has always been an answer for her question and a solution for her problem. Sharron is very appreciative of all the guidance she has received from MGA and the valuable friendships that have evolved over the past fourteen years.

After twenty years at North Central Michigan College, Sharron will retire in December. After retirement she will focus on Hemme Gardens, her family business. Sharron and her family have owned this garden center for nine years, and she is looking forward to expanding the business. A new greenhouse is under construction to grow many of the plants that she wants to make available to her

customers. Her husband Dick and son Kevin are her partners and run the water garden side of the business. Sharron will continue to grow the heathers, ornamental grasses, and herbs. She is looking forward to offering workshops during the day (something she has not been able to do with her full-time commitment to the college).

Sharron is hoping to spread her entrepreneurial wings next year! The all-important customer service side of financial aid will undoubtedly carry over to the garden business. She has a caricature of herself from a MASFAA conference showing her on her knees in the garden growing dollar bills. Wouldn't that be fun?

Congratulations to Sharron for being chosen for MGA's Featured Financial Aid Professional and on her December retirement after 24+ years of service to students!

SPRING SCHOOL WORKSHOPS NOW BEING PLANNED

Mark your calendar for the 2004 Spring School Workshops. MGA will offer these workshops at no cost to your institution at the following locations:

Tuesday, May 25, 2004
Radisson Hotel
Grand Rapids, Michigan

Wednesday, May 26, 2004
St. John's Conference Center
Plymouth, Michigan

Tentative agenda topics include:

- Policy and Regulatory Update
- Guarantor Update
- Federal Methodology
- Debt Management Topic (Retention-related)
- Consolidation Loan Update
- Resources/Key Contacts

Workshop details will be sent electronically in April with a complete agenda and registration form. If you have questions or suggestions for workshop topics, please feel free to contact Nancy Vaughn at 1-800-642-5626, extension 31871.

MGA SCHEDULES NEXT BASIC TRAINING WORKSHOP

A Basic Training Workshop for new school financial aid personnel is scheduled for April 13, 2004, at Sacred Heart Major Seminary, 2701 Chicago Boulevard, Detroit. This workshop will be held from 9:00 a.m. to 3:30 p.m., with morning refreshments available at 8:30 a.m. The Basic Training Workshop is designed as an introduction to the Federal Family Education Loan Program (FFELP) and to the Michigan Guaranty Agency for school staff who have been working in the area of financial aid for one year or less. However, other personnel who would like an MGA update are also welcome to attend. Topics may include:

- FFELP Overview and the Role of a Guarantor
- Processing FFELP loans
- Services for Schools
- Default Aversion
- Customer Services
- Claims and Collections Process
- Preparing for Program Reviews
- Online Entrance/Exit Counseling and Information Security

This is an excellent opportunity for financial aid personnel to ask questions and receive valuable insight into what MGA has to offer. Workshop details were sent electronically to our school clients earlier this month with a complete agenda and registration form. If you have any questions, please call Nancy Vaughn at extension 31871.

WHICH WAY DID THEY GO?

When a newly defaulted account is opened for collections, there are often times that contact information is not current. MGA utilizes many different tools to locate (a.k.a. skiptrace) borrowers.

A credit report is typically the first plan of attack, in that we can possibly find a current address as well as a place of employment. Various Web sites are accessed to find and verify information, including information related to references.

The most recent addition to our bag of tools is access to Michigan Secretary of State, Division of Motor Vehicles (DMV) records, which provides drivers license and registration information.

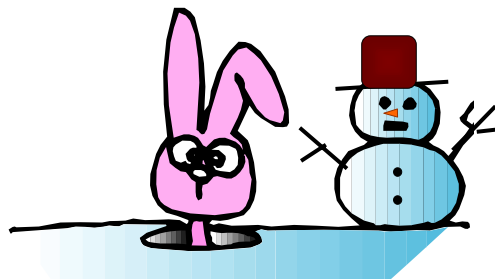
MGA is pleased to offer this skiptracing service to our schools. If you are working your school's delinquent borrower accounts and receive returned mail because of bad addresses, you may send those names to us for DMV skiptracing.

In December and January we sent email notification to our schools of the new skiptracing procedure, along with an attached Excel spreadsheet to list any borrowers for whom you have received returned mail. The spreadsheet can be sent to us via email at mga@michigan.gov. We will access the DMV database, revise the spreadsheet, and return it to you. If you have any questions concerning this procedure please contact the School Services Unit at extension 36074.

MGA OFFERS NEW BROCHURE ON THE PROS AND CONS OF CONSOLIDATION

MGA is pleased to announce the completion of a new brochure for student loan borrowers – “Pros and Cons of Loan Consolidation.” The brochure is an objective look at the advantages and disadvantages of consolidating student loans. Presently, students receive a great deal of information from lenders to consolidate their student loans. This information tends to aggressively market the benefits of student loan consolidation without any mention of the disadvantages. Loan consolidation is not in the best interest of every student borrower, and careful consideration should be given in any important financial decision. Our new brochure provides this information.

The “Pros and Cons of Loan Consolidation” brochure can be ordered from our online order form at <http://michigan.gov/mistudentaid>. Click on “Resources,” then “Ordering Supplies,” and then “MGA In-House Supplies Order Form.”



Is it SPRING yet?

ADDITIONAL GUIDANCE ON THE RETURN OF TITLE IV AID REQUIREMENTS

Attached to this issue of *Educational Loan Notes* is a summary of Dear Colleague Letter (DCL) [GEN-04-03](#), which was posted to the Information for Financial Aid Professionals (IFAP) Web site on February 13, 2004. The complete document is 17 pages long and includes a question and answer section. For your convenience, MGA has summarized the main points.

ATTENTION: WHIZKID® USERS

Schools importing Institutional Student Information Record (ISIR) records into WhizKid will need to install the new **ISIR Translation Utility** file in their WhizKid folder. This will allow schools to import 2003-04 and 2004-05 ISIR data into WhizKid. For best performance it is important that current WhizKid users upgrade to WhizKid 8.0.1 before installing the new ISIR Utility.

This release of the utility may be used as an independent product or in conjunction with WhizKid. WhizKid users may import the CommonLine file to update their WhizKid database. The 2004-05 ISIR Translation Utility will also be included in the Spring 2004 release of WhizKid 9.0.

The 2004-05 ISIR Translation Utility will translate 2003-04 and 2004-05 Title IV Wide Area Network (WAN) ISIR data into the National Council of Higher Education Loan Programs' (NCHELP's) FFELP CommonLine Version 4 and Release 5 file formats. The utility is able to translate single or multiple ISIR files into a single CommonLine file. Operating system requirements are:

- 4 Windows NT
- 4 Windows 2000
- 4 Windows XP

The instructions and a downloadable file are located at the following Internet address: https://www8.usagroup.com/fts/Login_Down.asp. First time users will need to register in order to access the ISIR Utility updates. Select the public file transfer service text, then either log in or register. Please follow the

instructions to download the updated ISIR Translation Utility and the instruction guide.

If you have any detailed questions regarding the downloading of this file, please contact Sallie Mae's Electronic Services Product Support at 1-800-348-4606. For general questions, you may contact Flora Boles at extension 52882, or via email at bolesf@michigan.gov.

NEW NSLDS CUSTOMER SERVICE EMAIL ADDRESS

As of March 8, 2004, the email address for National Student Loan Data System (NSLDS) Customer Service has changed to NSLDS@pearson.com. This change was made to ensure all inquiries are routed to the correct support team. NSLDS@pearson.com replaces both the NSLDScoe@raytheon.com and the NSLDSccc@raytheon.com addresses.

If you have any questions about this change, please contact NSLDS at 1-800-999-8219.

ED ORDERS TIMELY COMPLETION OF CONSOLIDATION LOAN VERIFICATION CERTIFICATES

The U.S. Department of Education (ED) recently published DCL FP-04-02, regarding Consolidation loans. The DCL reminds all lenders participating in FFELP that they are required by federal law to complete and return Consolidation Loan Verification Certificates (LVC) in a timely manner to expedite a borrower's Consolidation loan application from another lender.

Loan holders have ten business days after receiving a written request to provide the LVC to the lender, or they must provide a written

(Continued on the next page.)

explanation as to why they cannot certify the loans. There are only a few acceptable reasons why a loan holder would not be required to return the LVC within ten business days, and those reasons are outlined in the DCL.

The U.S. Department of Education has begun to take enforcement action against lenders that fail to meet these requirements. ED is also calling on guaranty agencies to take appropriate action if they become aware that a lender in its guaranty program is failing to comply with the required timeline.

You may obtain a copy of the DCL by going to ED's Web site at <http://www.ifap.ed.gov/dpcletters/FP0402.html>. If you have additional questions regarding this matter, please contact Betty Calloway at extension 39639, or via email at callowayb@michigan.gov.

FEATURES OF THE INTEGRATED COMMON MANUAL

If you have not yet checked out the *Integrated Common Manual* (ICM), we urge you to do so by going to NCHELP's Web site at www.nchelp.org and clicking on their "E-Library" button. This easy-to-use online version of the *Common Manual* has many features that make it ideal. It is the most current version of the *Common Manual* because it is updated monthly, shortly after new policy changes are approved by the Governing Board.

Following are specific features of the ICM:

- Newly approved language is identified with underlines.
- Recently deleted language is identified with ~~strikethroughs~~.
- Footnotes on each affected page contain:
 - The date the Governing Board approved the change.
 - The policy proposal and batch numbers applicable to the change.
- The "Summary of Changes Approved" chart at the front of the manual:
 - Describes changes since the last annual publication of the manual.
- Gives the effective date and trigger events for policy changes.
- Links directly to each revised section/subsection of the manual.
- Change bars in the margins of affected pages indicate revisions.
- Running headers at the top of each page list section numbers and titles.
- "Bookmarks" in the left-hand margin mirror the manual's table of contents and provide links to the manual's sections/subsections.
- Each chapter's table of contents links to its sections/subsections.
- Key words in the manual's text link to glossary definitions.
- The PDF format of the ICM allows the user to search the ICM electronically. (See the February 2004 issue of *Educational Loan Notes* for more information on navigating a PDF file.)

DROP THE "WWW"

Mapping Your Future encourages schools, sponsors, and friends to exclude the "www" when providing the Mapping Your Future Web address or when linking to the site. Unlike many sites, the Mapping Your Future Web address does not include "www" in the URL. Although a visitor can get to the Mapping Your Future site using the "www" in the Web address (and securely complete online counseling and other processes), the Mapping Your Future site security license is registered under <http://mapping-your-future.org>. Depending on the security settings in the Internet browser, visitors who enter "www" in the Web address may receive a message indicating the Mapping Your Future site does not have a valid security certificate. The Mapping Your Future site is secure; however, visitors may feel uncomfortable if they see this message, especially if they are using Online Student Loan Counseling.

If you have any questions about linking to Mapping Your Future or about the security on the site, contact Beth Ziehmer at beth.ziehmer@mapping-your-future.org or (573) 796-3730 or CariAnne Cutshall at carianne.cutshall@mapping-your-future.org or (573) 634-8641.

COMMON MANUAL RESTRUCTURE IMPROVES NAVIGATION

The *Common Manual* now contains a numbering system for its tables and charts, which makes researching the manual quicker and easier.

Numbered tables and charts are referred to as Figures. The number assigned to the Figure indicates the location of the Figure within the manual. The first number refers to the chapter where the Figure can be found. The last number tells you the sequential number of the Figure within the chapter. For example, **Figure 5 – 3** would be the third Figure in Chapter 5.

The *Common Manual* Policy Committee will identify changes to a Figure using its assigned number in the “Affected Section” and the “Proposed Language” sections of a policy proposal.

Figures are listed in the Table of Figures adjacent to the Table of Contents.

LENDER LIST UPDATES

School personnel should record the following actions on the “Participating Lender List” dated January 26, 2004. Please make the appropriate changes in all sections of the list as needed. If you have any questions regarding these updates, please contact Pat Fromm at extension 36076.

Name Changes

Bay Governmental Credit Union, 813132, changed its name to FinancialEdge Community Credit Union.

Arizona Educational Loan Marketing Corporation, 830630, changed its name to Southwest Student Services Trust, WFB as ELT.

Florida Educational Loan Marketing Corporation, 831245, changed its name to Southwest Student Services Trust, WFB as ELT.

Newly Participating Lenders

U.S. Bank, N.A. ATF 1st Student Financial, 833946, 2600 Washington Avenue, Waco, TX 76710. Telephone: 800-523-7446.

Student Assistance Foundation, 834064, 2500 Broadway, Helena, MT 59620-3101. Telephone: 800-852-2761.

Student Loan Xpress, Fifth Third Bank as ELT, 834011, c/o LoanStar Systems, P.O. Box 4940, Bryan, TX 77805-4940. Telephone: 800-619-2310.

SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA’s “Active Michigan School List” dated January 23, 2004. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074.

Contact Updates

Douglas J Aveda, East Lansing, 025882-00
Change Justin Draeger to Kellee McNamara, Financial Aid Officer. Kellee’s email address is financialaid@douglasj.com.

Ross Medical Education Center, Saginaw, 020997-00

Change Tracey Rinz to Stacia Madison, Financial Aid Officer. Stacia’s email address is rossmed114@juno.com.

University of Detroit Mercy, Detroit, 002323-00

Change Carmen Harden to Jenny McAlonan, Associate Director. Jenny’s phone number is 313-993-3348, and her email address is hardenca@udmercy.edu.



THE “ED” PIPELINE

Following is a list of some of the most recent ED correspondence for schools and lenders.

Dear Partner
January 2004
[GEN-04-02](#)

This letter provides clarification on the treatment of certain educational savings plans in the determination of a student’s eligibility for federal student aid.

Dear Partner
January 2004
[GEN-04-01](#)

This letter discusses the availability of the 2003 Child Care Provider Loan Forgiveness Application.

Dear Partner
February 2004
[ANN-04-02](#)

This letter announces FSA’s release of the first of two Web-based 2004-05 EDExpress Basics training modules.

Dear Partner
February 2004
[ANN-04-01](#)

This letter announces FSA’s one-day training session, "Electronic Application Processing."

Dear Partner
February 2004
 GEN-04-04
[FP-04-03](#)

This letter offers general guidance for helping Title IV participants affected by a disaster.

Dear Partner
February 2004
[GEN-04-03](#)

This letter provides additional guidance on the application of the Return of Title IV Aid requirements. The subjects addressed in this letter are:

- Title IV credit balance
- Title IV aid that could have been disbursed
- Verification not completed before withdrawal
- Treatment of a student who fails to receive a passing grade in any class

- Percentage of Title IV aid earned for withdrawal from a credit-hour non-term program
- Date of the institution’s determination that the student withdrew – institutions that are required to take attendance
- Treatment of LEAP funds

Please see the attachment to this issue of *Educational Loan Notes*, which addresses the main points of the letter.

**FREQUENTLY ASKED QUESTIONS
REGARDING INSTITUTIONAL
NOTICES AND AUTHORIZATIONS**

Note: The U.S. Department of Education considers a notice to be in writing if it is either in paper or electronic form.

Does our institution have to notify our students when their Stafford loan funds will be disbursed?

Yes. Before an institution disburses Title IV, Higher Education Act (HEA) program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each Title IV, HEA program, and how and when those funds will be disbursed. If those funds include Federal Direct Loan Program or FFELP funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans.
 [§ 668.165 (a)(1)]

What must be included in the notification that our school sends out when we credit a student’s account?

If an institution credits a student’s account at the institution with Federal Direct, FFEL, or Federal Perkins Loan Program funds, the institution must notify the student or parent of:

- The date and amount of the disbursement.
- The student’s right or parent’s right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan.

(Continued on the next page.)

However, the institution does not have to provide this information with regard to FFELP funds unless the institution received the loan funds from a lender through an Electronic Funds Transfer (EFT) payment or Master Check.

- The procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement.

[§ 668.165 (2)]

How many days does our institution have, after crediting a student's account with loan proceeds, to notify the student that their account has been credited?

The institution must send the notice, described above, in writing no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution.

[§ 668.165 (3)]

A student called our institution requesting that his loan be canceled. Do we have to grant that request?

The institution must return the loan proceeds, cancel the loan, or do both, in accordance with applicable program regulations if the institution receives a loan cancellation request either:

- Within 14 days after the date the institution sends the notice as described above; or
- If the institution sends the notice as described above more than 14 days prior to the first day of the payment period, by the first day of the payment period.

[§668.165 (4)(A)(B)]

One of the students at our institution has excess proceeds from a PLUS loan; can we pay that student directly in cash?

Yes. An institution can pay a student in cash if the institution obtains a signed receipt from the student or parent.

[§ 668.164 (c)4]

Does our institution need a borrower's authorization to credit their account with

loan proceeds if those loan proceeds are transferred electronically?

If the loan proceeds are disbursed by Electronic Funds Transfer to an account of the school or by Master Check, the school must, unless authorization was provided in the loan application or Master Promissory Note (MPN), obtain the student's, or in the case of a PLUS loan, the parent borrower's written authorization for release of the initial and any subsequent disbursement of each FFELP loan to be made.

[§ 682.604 (c)(3)]

Can our institution obtain authorization ourselves to approve the release of EFT funds for a borrower?

Neither a lender nor a school may obtain a borrower's power of attorney or other authorization to endorse or otherwise approve the cashing of a loan check or the release of funds disbursed by EFT, nor may a borrower provide this power of attorney or authorization to anyone else.

[§ 682.207 (b)(2)]

However, in the case of a student enrolled in a study-abroad program approved for credit at the home institution in which the student is enrolled, the borrower can provide power of attorney to an individual not affiliated with the institution to endorse the check or complete an electronic funds transfer authorization.

[§ 682.207 (b)(1)(v)(C)(2)]

We had a student withdraw, and because of regulations our institution is required to return Title IV funds. Do we have to notify the borrower when we return the funds to the lender?

By applying for a FFELP loan, a borrower authorizes the school to pay directly to the lender that portion of a refund or return of Title IV, HEA program funds from the school that is allocable to the loan upon the borrower's withdrawal. A school must provide simultaneous written notice to the borrower if the school makes a payment of a refund or a return of Title IV, HEA program funds to a lender on behalf of that student.

[§ 682.607 (a)(2)]

Calendar of Upcoming Events

March 2004

29-31 ED Spring Conference
Sheraton New York Hotel and Towers
New York, New York

April 2004

6 Mapping Your Future Daytime Chat
Student Loan Default Prevention

13 MGA Basic School Workshop
Sacred Heart Major Seminary
Detroit, Michigan

May 2004

11 Guaranty Agency Advisory Committee
University Club
Michigan State University
East Lansing, Michigan

11 Mapping Your Future Evening Chat
Student Loan Forgiveness, Cancellation, and
Discharge

25 Spring School Workshop
Radisson Hotel
Grand Rapids, Michigan

26 Spring School Workshop
St. John's Conference Center
Plymouth, Michigan

**If you need further information or wish to submit items for the calendar, please contact
Jim Peterson, Editor, at extension 36944, or via email at petersonj@michigan.gov.**

LOAN NOTES

March 2004

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ADDITIONAL GUIDANCE ON THE RETURN OF TITLE IV AID REQUIREMENTS

The following information comes from GEN-04-03, which was posted on February 13, 2004. To review the entire document, refer to <http://www.ifap.ed.gov/dpcletters/GEN0403.html>.

When a student withdraws during a period, a Title IV credit balance created during the period is handled as follows:

1. Do not release any portion of a Title IV credit balance to the student nor return any portion to the Title IV programs prior to performing the Return of Title IV Aid calculation. The institution must hold these funds even if, consistent with the 14-day credit balance payment requirement of §668.164(e), it would otherwise be required to release them.
2. Perform the Return of Title IV Aid calculation including any existing Title IV credit balance for the period in the calculation as disbursed aid.
3. Apply any applicable refund policy (state, accrediting agency, institutional, etc.) to determine if doing so creates a new or larger Title IV credit balance.
4. Allocate any Title IV credit balance as follows:
 - A. Any Title IV credit balance must be allocated first to repay any grant overpayment owed by the student as a result of the current withdrawal. The institution must return such funds to the Title IV grant account within 14 days of the date that the institution performs the Return of Title IV Aid calculation.
 - B. Within 14 days of the date that the institution performs the Return of Title IV Aid calculation, an institution must pay any remaining Title IV credit balance funds in one or more of the following ways:
 - in accordance with the cash management regulations to pay authorized charges at the institution (including previously paid charges that now are unpaid due to a return of Title IV funds by the institution);
 - with the student's authorization, to reduce the student's Title IV loan debt (not limited to loan debt for the period of withdrawal); or
 - to the student (or parent for a PLUS loan).
 - C. If the institution cannot locate the student (or parent) to whom a Title IV credit balance must be paid, it must return the credit balance to the Title IV programs. ED does not specify the order of return to the Title IV programs for a credit balance. ED encourages institutions to make determinations that are in the best interest of the individual student.

An institution must determine the results of the application of its refund policy before allocating a Title IV credit balance. However, the institution is not required to actually complete its refund process (for example, by making a refund to a student) before completing the steps for allocating the Title IV credit balance.

In order to accommodate differences in institutional accounting and administrative processes, an institution is not required to actually apply the Title IV credit balance to the grant overpayment before applying the Title IV credit balance to other debts, as long as the grant overpayment is satisfied by the 14-day deadline. Also, an institution may use its own funds instead of the actual Title IV credit balance to satisfy any grant overpayment.

Although not included in the Return of Title IV Aid calculation, any Title IV credit balance funds from a prior period that are on the student's account when the student withdraws are included as Title IV funds for purposes of determining if a Title IV credit balance exists, and the final amount of any Title IV credit balance. As outlined above, the institution must use the final credit balance to satisfy first any current grant overpayment.

ADDITIONAL GUIDANCE ON THE RETURN OF TITLE IV AID REQUIREMENTS

Title IV aid that could have been disbursed

Guidance in "Dear Colleague" letter [GEN-00-24](#) (December 2000) delineated two principles for the treatment of second or subsequent disbursements of FFEL or Direct Loans in Return of Title IV Aid calculations. The first principle provided that the amount of Title IV funds that could have been disbursed included second or subsequent disbursements of FFEL or Direct Loans for purposes of determining earned Title IV aid only if the institution would not have been prohibited from making the disbursement on or before the day the student withdrew (for example, if the loan funds were not disbursed because the institution chose to release loan funds in installments during the term, or if expected funds were not provided by the lender before the student's withdrawal). The second principle provided that a student could never receive as a post-withdrawal disbursement any amount of a second or subsequent FFEL or Direct Loan disbursement. This guidance also addressed the applicability of these principles to the 30-day delayed disbursement requirements for first installments of Stafford Loans under the FFEL and Direct Loan programs to first-time, first year undergraduate students.

Upon further consideration, ED changed the first principle to provide that any undisbursed Title IV aid for the period for which the return calculation is performed is counted as aid that could have been disbursed for purposes of determining earned Title IV aid regardless of whether the institution was prohibited from making the disbursement on or before the day the student withdrew, so long as the conditions for late disbursements listed below are met prior to withdrawal. The conditions for a late disbursement in §668.164(g)(2) that must be met prior to the date the student becoming ineligible are:

- ED processed a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official Expected Family Contribution (EFC) for the student (except in the case of a PLUS loan) ;
- For a FFELP loan or a Direct Loan, the institution certified or originated the loan, as applicable; and
- For a Federal Perkins Loan or FSEOG award, the institution made the award to the student.

The second principle provides that an institution may not disburse as a post-withdrawal disbursement any Title IV funds the institution was prohibited from disbursing to the student on or before the student's withdrawal date. This principle remains the same.

This guidance would apply to:

- Second or subsequent disbursements of FFELP or Direct Loan funds for the period that an institution is prohibited from making unless the student has graduated or successfully completed the loan period [§668.164(g)(4)(ii)];
- For nonstandard term credit-hour programs where the terms are not substantially equal in length, credit-hour non-term programs, and clock hour programs, second disbursements of FFEL and Direct Loans for the period that an institution is prohibited from making until the later of the calendar midpoint of the loan period, or the date that the student completes half of the academic coursework or clock hours (as applicable) in the loan period [§682.604(c)(7) or (8) or §685.301(b)(5) or (6)];
- Disbursements of FFEL and Direct Loans to a first-year, first-time borrower who withdraws before the 30th day of the student's program of study [§668.164(g)(4)(iii)];
- Disbursements of a Federal Pell Grant funds to a student for whom the institution did not receive a valid SAR or a valid ISIR by the deadline date established by the Secretary in the Federal Register [§668.164(g)(4)(iv)]; and

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- For clock hour or credit-hour non-term programs, a disbursement of Federal Pell Grant funds for a subsequent payment in the period that an institution is prohibited from making until the student completes the payment period [§690.75(a)(3)].

Return of Title IV Aid Requirements

An institution has up to 30 days to return to the Title IV programs any unearned Title IV funds for which it is responsible [§668.22(j)] and, if applicable, send a notice to a student who owes a grant overpayment [§668.22(h)(4)(ii)]. If, instead of a return of funds, a post-withdrawal disbursement is due the student or parent (for a PLUS loan), the institution must offer to the student or parent within the same 30-day period any amount of the post-withdrawal disbursement that is not credited to a student's account. In both instances, the 30 days are counted from the date of the institution's determination that the student withdrew.

However, the regulations provide more time for an institution to actually make any post-withdrawal disbursement-up to 120 days from the date of the institution's determination that the student withdrew [§668.22(a)(4)(ii)(B)].

Cash Management Requirements

In accordance with §668.164(g)(2), a disbursement of Title IV funds may not be made to a student who became ineligible because the student is no longer enrolled or, for the FFEL and Direct Loan programs, is no longer enrolled at least half time unless, prior to the date the student became ineligible:

- ED processed a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official Expected Family Contribution (EFC) for the student (except in the case of a PLUS loan) ;
- for an FFELP loan or a Direct Loan, the institution certified or originated the loan, as applicable; and
- for a Federal Perkins Loan or FSEOG award, the institution made the award to the student.

The following rules apply when an institution is completing a Return of Title IV Aid calculation for a student subject to verification:

1. An institution must always complete a Return of Title IV Aid calculation in time to meet the 30-day Return of Title IV Aid deadlines;
2. Unless a student subject to verification has provided all required verification documents in time for the institution to meet the 30-day Return of Title IV Aid deadlines, the institution must include as aid disbursed or aid that could have been disbursed in the calculation only those Title IV funds not subject to verification;
3. If a student who failed to provide all required verification documents in time for the institution to meet the 30-day Return of Title IV Aid deadlines provides those documents prior to the verification deadline, the institution must perform a new Return of Title IV Aid calculation and make the appropriate adjustments.

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Treatment of a student who fails to receive a passing grade in any class

An institution must have a procedure for determining whether a Title IV aid recipient who began attendance during a period completed the period or should be treated as a withdrawal. ED does not require an institution to use a specific procedure for making this determination.

At least one passing grade

If a student earns a passing grade in at least one course offered over an entire period, the institution may make the presumption that the student completed the course and, thus, completed the period.

No passing grades

If a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period.

For a student who unofficially withdrew from an institution that is not required to take attendance, the student's withdrawal date is either the last date of attendance at an academically-related activity or the midpoint of the period [§668.22(c)].

Alternatives for determining whether a student with no passing grades unofficially withdrew

In some cases, an institution may use its academic grading policy for awarding final grades to determine that a student who did not receive at least one passing grade nevertheless completed the period. An institution might have an official grading policy that provides instructors with the ability to differentiate between those students who complete the course but failed to achieve the course objectives, and those students who did not complete the course.

Important: Compliance audits and program reviews may examine whether a school accurately assigns failing grades to students if the school uses its grading policy to determine whether a student with failing grades has unofficially withdrawn.

Percentage of Title IV aid earned for withdrawal from a credit-hour non-term program

The regulations provide that the percentage of Title IV aid that is earned by the student is equal to the period completed by the student (except if that percentage is more than 60 percent, then the student is considered to have earned 100 percent of the Title IV aid). For any credit hour program, term based or non term based, the percentage of the period completed is calculated as follows:

$$\frac{\text{number of calendar days completed in the period}}{\text{total number of calendar days in the period}}$$

Scheduled breaks of at least five consecutive days and days in which the student was on an approved leave of absence are excluded from this calculation [§668.22(f)(1)(i) and (2)].

ED recognizes that in a credit-hour non-term program, the ending date for a period and, therefore, the total number of calendar days in the period, may be dependent on the pace at which an

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individual student progresses through the program. Therefore, for a student who withdraws from a credit-hour non-term program where the completion date of the period is dependent on an individual student's progress, an institution must project the completion date based on the student's progress as of his or her withdrawal date to determine the total number of calendar days in the period.

Date of the institution's determination that the student withdrew -- Institutions that are required to take attendance

Institutions are expected to have procedures to determine when a student's absence is a withdrawal. Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, at an institution that is required to take attendance, ED would expect that the date of the institution's determination that the student withdrew would be no later than a week after the student's withdrawal date--the last date of academic attendance as determined by the institution from its attendance records [§668.22(b)(1)].

If a student provides notification to the institution of his or her withdrawal prior to the date that the institution normally would determine that the student withdrew, the date of determination is the date of the student's notification. If an institution follows a policy that states when absences will be treated as withdrawals, the date of determination would be no later than the date specified in the policy, as long as that date is not later than one week after the student's withdrawal date. For example, an institution with a procedure that provides that five consecutive unexcused absences will be treated as a withdrawal would never have a date of determination of withdrawal that is beyond the fifth unexcused absence.